

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Menominee Housing Commission	County Menominee
Fiscal Year End 3/31/2007	Opinion Date 12/18/2007	Date Audit Report Submitted to State 12/18/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

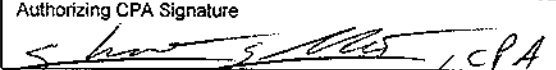
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	NA	
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt Street		City Iron Mountain	State MI
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	Zip 49801
		License Number 263063	

MENOMINEE HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended March 31, 2007

MENOMINEE HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-8
Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities	10
Statement of Revenues, Expenses, and Change in Net Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements.....	13-20
Supplemental Information:	
Financial Data Schedule	22-27
Federal Audit Reports.....	28





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

We have audited the accompanying financial statements of the business-type activities of the Menominee Housing Commission, a component unit of the City of Menominee, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Menominee Housing Commission as of March 31, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Menominee Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Menominee Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Menominee Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 18, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Menominee Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$2,523,776 at March 31, 2007 compared to \$2,597,114 at March 31, 2006.
- The Commission's operating revenues totaled \$758,850 for March 31, 2007 and \$708,540 for March 31, 2006, while operating expenses totaled \$1,037,295 for March 31, 2007 and \$992,162 for March 31, 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at March 31, 2007 decreased \$(73,338) from March 31, 2006.

Table 1

NET ASSETS

	March 31,	
	2007	2006
Assets		
Current assets	\$ 765,689	\$ 739,030
Capital assets (net)	<u>1,881,608</u>	<u>2,025,594</u>
Total assets	<u>2,647,297</u>	<u>2,764,624</u>
Liabilities		
Current liabilities	105,506	150,872
Noncurrent liabilities	<u>18,015</u>	<u>16,638</u>
Total liabilities	<u>123,521</u>	<u>167,510</u>
Net Assets		
Invested in capital assets, net of related debt	1,881,608	2,025,594
Unrestricted	<u>642,168</u>	<u>571,520</u>
Net Assets	<u>\$ 2,523,776</u>	<u>\$ 2,597,114</u>

Net assets of the Commission stood at \$2,523,776 at March 31, 2007 compared to \$2,597,114 at March 31, 2006. Unrestricted net business assets were \$642,168 compared to \$571,520 at March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The change in current assets was primarily due to a \$31,603 decrease in cash and equivalents and a \$54,374 increase in investments while the decrease in current liabilities was due to a \$9,945 decrease in accounts payable and a \$32,302 decrease in accrued wages/payroll taxes payable.

Table 2

CHANGE IN NET ASSETS

	Year Ended March 31,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 296,616	\$ 285,078
Program grants and subsidies	609,535	569,976
General revenues:		
Other revenues	23,499	8,840
Unrestricted investment earnings	34,307	18,091
Total revenues	<u>963,957</u>	<u>881,985</u>
Program Expenses:		
Operating expenses	<u>1,037,295</u>	<u>992,162</u>
Total expenses	<u>1,037,295</u>	<u>992,162</u>
Change in net assets	(73,338)	(110,177)
Net assets - beginning of period	<u>2,597,114</u>	<u>2,707,291</u>
Net assets - end of period	<u>\$2,523,776</u>	<u>\$ 2,597,114</u>

BUSINESS -- TYPE ACTIVITIES

Revenues for the Commission totaled \$963,957 compared to \$881,985 during March 31, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to an increase of \$9,549 in administrative expenses, an increase of \$14,506 in maintenance expenses and an increase of \$6,566 in general expenses.

CAPTIAL ASSETS

Capital Assets

The Commission had \$7,666,722 invested in a variety of capital assets including land, equipment and buildings at March 31, 2007 compared to \$7,490,419 at March 31, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	March 31,	
	2007	2006
Land and improvements	\$ 495,032	\$ 491,047
Building and improvements	6,934,277	6,762,079
Equipment	234,613	231,926
Construction-in-progress	<u>2,800</u>	<u>5,367</u>
Total	7,666,722	7,490,419
Less accumulated depreciation	<u>(5,785,114)</u>	<u>(5,464,825)</u>
NET CAPITAL ASSETS	<u>\$ 1,881,608</u>	<u>\$ 2,025,594</u>

The Commission invested \$178,022 in capital assets during the year ended March 31, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Bonnie Ruleau, at 1801 8th Avenue, Menominee, Michigan 49858, or call 906-863-8717.

MENOMINEE HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

March 31, 2007

CURRENT ASSETS:

Cash and equivalents	\$ 98,440
Accounts receivable	3,590
Investments	640,768
Prepaid expenses	<u>22,891</u>

TOTAL CURRENT ASSETS	<u>765,689</u>
-----------------------------	-----------------------

NONCURRENT ASSETS:

Capital assets	7,666,722
Less accumulated depreciation	<u>(5,785,114)</u>

NET CAPITAL ASSETS	<u>1,881,608</u>
---------------------------	-------------------------

TOTAL ASSETS	<u>2,647,297</u>
---------------------	-------------------------

CURRENT LIABILITIES:

Accounts payable	32,670
Accrued liabilities	<u>72,836</u>

TOTAL CURRENT LIABILITIES	105,506
----------------------------------	----------------

NONCURRENT LIABILITIES	<u>18,015</u>
-------------------------------	----------------------

TOTAL LIABILITIES	<u>123,521</u>
--------------------------	-----------------------

NET ASSETS:

Investment in capital assets, net of related debt	1,881,608
Unrestricted net assets	<u>642,168</u>

NET ASSETS	<u>\$ 2,523,776</u>
-------------------	----------------------------

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Public Housing	\$ 1,037,295	\$ 296,616	\$ 438,658	\$ 170,877
				\$ (131,144)
General revenues:				
Unrestricted investment earnings				34,307
Other				23,499
Total general revenues				57,806
Change in net assets				(73,338)
NET ASSETS, beginning of year				2,597,114
NET ASSETS, end of year				\$ 2,523,776

The accompanying notes to the financial statements are an integral part of this statement.

MENOMINEE HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended March 31, 2007

OPERATING REVENUES:

Tenant revenue	\$ 296,616
Program grants-subsidies	438,658
Other income	<u>23,576</u>

TOTAL OPERATING REVENUES	<u>758,850</u>
---------------------------------	-----------------------

OPERATING EXPENSES:

Administration	166,664
Tenant services	10,260
Utilities	82,663
Maintenance	233,997
General	44,047
Housing assistance payments	177,733
Depreciation	<u>321,931</u>

TOTAL OPERATING EXPENSES	<u>1,037,295</u>
---------------------------------	-------------------------

OPERATING (LOSS)	<u>(278,445)</u>
-------------------------	-------------------------

NONOPERATING REVENUES AND (EXPENSES):

Capital grants	170,877
Interest income	34,307
Gain on sale of fixed assets	<u>(77)</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>205,107</u>
---	-----------------------

CHANGE IN NET ASSETS	(73,338)
-----------------------------	-----------------

NET ASSETS, BEGINNING OF YEAR	<u>2,597,114</u>
--------------------------------------	-------------------------

NET ASSETS, END OF YEAR	<u>\$ 2,523,776</u>
--------------------------------	----------------------------

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

MENOMINEE HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 295,336
Cash received from grants and subsidies	437,858
Cash payments to suppliers for goods and services	(449,410)
Cash payments for wages and related benefits	(304,875)
Cash payments for payment in lieu of taxes	(6,818)
Other receipts	<u>23,576</u>

NET CASH (USED) BY OPERATING ACTIVITIES (4,333)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	170,877
Acquisition of capital assets	<u>(178,022)</u>

NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (7,145)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(54,119)
Investment income	<u>34,249</u>

NET CASH (USED) BY INVESTING ACTIVITIES (19,870)

NET (DECREASE) IN CASH AND EQUIVALENTS (31,348)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 129,788

CASH AND EQUIVALENTS, END OF YEAR \$ 98,440

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (278,445)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	321,931
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(2,080)
Decrease (Increase) in prepaid expenses	(1,750)
Increase (Decrease) in accounts payable	(9,945)
Increase (Decrease) in accrued liabilities	<u>(34,044)</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (4,333)

The accompanying notes to financial statements are an integral part of this statement.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Menominee Housing Commission (Commission) was formed by the City of Menominee Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission manages 127 units of low rent public housing and 60 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Menominee Housing Commission, but the Menominee Commission is a component unit of the City of Menominee, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$250 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 200
Checking accounts	61,595
Federated Treasury obligations	<u>36,645</u>
TOTAL	<u>\$ 98,440</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of March 31, 2007, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	\$ 62,101	\$ 62,101	\$ -
U.S. Treasuries	<u>578,667</u>	<u>50,337</u>	<u>528,330</u>
Totals	<u>\$640,768</u>	<u>\$112,438</u>	<u>\$528,330</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of March 31, 2007, the Commission's investments were not exposed to credit risk, due to them being fully insured.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Nicolet National Bank, Menominee, MI \$640,768

NOTE C - CAPITAL ASSETS

A summary of capital assets as of March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land and improvements	\$ 491,047	\$ 3,985	\$ -	\$ 495,032
Building and improvements	6,762,079	172,198	-	6,934,277
Equipment	231,926	4,406	(1,719)	234,613
Construction in progress	<u>5,367</u>	<u>169,283</u>	<u>(171,850)</u>	<u>2,800</u>
	7,490,419	<u>\$ 349,872</u>	<u>\$ (173,569)</u>	7,666,722
Accumulated depreciation	<u>(5,464,825)</u>	<u>\$ (321,931)</u>	<u>\$ 1,642</u>	<u>(5,785,114)</u>
Net capital assets	<u>\$ 2,025,594</u>			<u>\$ 1,881,608</u>

Depreciation expense for the year was \$321,931.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2007 totaled \$963,957 of which \$609,535 or 63.2 % was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement, death and disability benefits to plan members and beneficiaries. The City participates in the Michigan Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

(Continued)

NOTE G – PENSION PLAN (Continued)

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 0.00% to 4.5% of annual covered payroll. City employees currently make no contribution to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8%, (b) additional projected salary increases up to 4.16% per year, depending on age, attributable to seniority/merit, and (c) an inflationary rate of 4.5%. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the last actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 52,399	100%	\$ -
6/30/2004	105,758	100%	-
6/30/2005	224,184	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) Entry Age (b)</u>	<u>Under- funded (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (ab)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)c)</u>
12/31/2003	5,842,880	6,484,027	641,147	90%	2,018,837	32%
12/31/2004	5,982,657	6,744,604	761,947	89%	2,031,211	38%
12/31/2005	6,155,941	7,540,189	1,384,248	82%	2,097,619	66%





**SUPPLEMENTAL
INFORMATION**



MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 63,292	\$ 35,148	\$ -	\$ 98,440
100	Total cash	63,292	35,148	-	98,440
Accounts and notes receivables:					
122	Accounts receivable-HUD other projects	-	-	800	800
125	Accounts receivable-miscellaneous	906	310	-	1,216
126	Accounts receivable- tenants	3,495	-	-	3,495
126.1	Allowance for doubtful accounts - tenants	(2,042)	-	-	(2,042)
129	Accrued interest receivable	-	121	-	121
120	Total receivables, net of allowances for doubtful accounts	2,359	431	800	3,590
Other current assets:					
131	Investments	578,667	62,101	-	640,768
142	Prepaid expenses	22,136	755	-	22,891
144	Interprogram due from	1,018	-	-	1,018
150	TOTAL CURRENT ASSETS	667,472	98,435	800	766,707

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	77,371	-	-	77,371
162	Buildings	6,760,404	2,024	171,850	6,934,278
163	Furniture, equipment & machinery - dwellings	83,681	-	14	83,695
164	Furniture, equipment & machinery - administration	103,119	37,874	9,925	150,918
165	Leasehold improvements	417,660	-	-	417,660
166	Accumulated depreciation	(5,756,871)	(23,948)	(4,295)	(5,785,114)
167	Construction in progress	-	-	2,800	2,800
160	Total fixed assets, net of accumulated depreciation	1,685,364	15,950	180,294	1,881,608
180	TOTAL NONCURRENT ASSETS	1,685,364	15,950	180,294	1,881,608
190	TOTAL ASSETS	\$ 2,352,836	\$ 114,385	\$ 181,094	\$ 2,648,315

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 31,140	\$ 1,530	\$ -	\$ 32,670
321	Accrued wages / payroll taxes payable	25,793	2,005	-	27,798

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

March 31, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
322	Accrued compensated absences - current portion	8,540	874	-	9,414
333	Accounts payable - other government	9,651	-	-	9,651
341	Tenant security deposits	22,532	-	-	22,532
342	Deferred revenues	3,441	-	-	3,441
347	Interprogram due from	-	218	800	1,018
310	TOTAL CURRENT LIABILITIES	101,097	4,627	800	106,524
354	Accrued compensated absences - non current	16,582	1,433	-	18,015
350	TOTAL NONCURRENT LIABILITIES	16,582	1,433	-	18,015
300	TOTAL LIABILITIES	117,679	6,060	800	124,539
<u>NET ASSETS</u>					
508.1	Investment in capital assets, net of related debt	1,685,364	15,950	180,294	1,881,608
512.1	Unrestricted net assets	549,793	92,375	-	642,168
513	TOTAL NET ASSETS	2,235,157	108,325	180,294	2,523,776
600	TOTAL LIABILITIES AND NET ASSETS	\$ 2,352,836	\$ 114,385	\$ 181,094	\$ 2,648,315

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>					
703	Net tenant rental revenue	\$ 296,514	\$ -	\$ -	\$ 296,514
704	Tenant revenue - other	102	-	-	102
705	Total tenant revenue	296,616	-	-	296,616
706	HUD PHA grants	198,261	240,397	-	438,658
706.1	Capital grants	-	-	170,877	170,877
711	Investment income - unrestricted	32,284	2,023	-	34,307
715	Other revenue	23,576	-	-	23,576
716	Gain / loss on sale of fixed assets	(77)	-	-	(77)
700	TOTAL REVENUE	550,660	242,420	170,877	963,957
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	75,527	12,338	-	87,865
912	Auditing fees	2,100	800	-	2,900
914	Compensated absences	(3,163)	(267)	-	(3,430)
915	Employee benefit contributions- administrative	37,638	6,829	-	44,467
916	Other operating- administrative	26,413	8,449	-	34,862
	Total Administrative	138,515	28,149	-	166,664

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:					
924	Tenant services - other	10,260	-	-	10,260
Utilities:					
931	Water	26,971	-	-	26,971
932	Electricity	29,494	-	-	29,494
933	Gas	26,198	-	-	26,198
	Total Utilities	82,663	-	-	82,663
Maintenance:					
941	Ordinary maintenance and operations - labor	84,521	-	-	84,521
942	Ordinary maintenance and operations - materials & other	31,330	-	-	31,330
943	Ordinary maintenance and operations - contract costs	62,426	-	-	62,426
945	Employee benefit contributions- ordinary maintenance	55,720	-	-	55,720
	Total Maintenance	233,997	-	-	233,997
General expenses:					
961	Insurance premiums	30,520	-	-	30,520
962	Other general expenses	-	359	-	359
963	Payments in lieu of taxes	9,651	-	-	9,651
964	Bad debts - tenant rents	3,517	-	-	3,517
	Total General Expenses	43,688	359	-	44,047

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
969	TOTAL OPERATING EXPENSES	509,123	28,508	-	537,631
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	41,537	213,912	170,877	426,326
973	Housing assistance payments	-	177,733	-	177,733
974	Depreciation expense	313,952	4,032	3,947	321,931
900	TOTAL EXPENSES	823,075	210,273	3,947	1,037,295
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (272,415)	\$ 32,147	\$ 166,930	\$ (73,338)
MEMO account information					
1103	Beginning equity	\$ 2,343,451	\$ 76,178	\$ 177,485	\$ 2,597,114
1104	Prior Period Adjustments, Equity Transfers	\$ 164,121	-	\$ (164,121)	\$ -
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 227,481	\$ -	\$ 227,481
1115	Contingency Reserve, ACC Program Reserve	\$ -	-	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ 227,481	\$ -	\$ 227,481
1120	Unit months available	1,524	718	-	2,242
1121	Number of unit months leased	1,500	718	-	2,218
1117	Administrative Fee Equity	\$ -	\$ 59,553	\$ -	\$ 59,553
1118	Housing Assistance Payments Equity	\$ -	\$ 48,772	\$ -	\$ 48,772

See accompanying notes to financial statements

MENOMINEE HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended March 31, 2007

**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



MENOMINEE HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30-31
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards.....	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs.....	36



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

We have audited the financial statements of Menominee Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menominee Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menominee Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Menominee Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menominee Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 18, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

Compliance

We have audited the compliance of Menominee Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended March 31, 2007. Menominee Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Menominee Housing Commission's management. Our responsibility is to express an opinion on Menominee Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Menominee Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Menominee Housing Commission's compliance with those requirements.

In our opinion Menominee Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

The management of Menominee Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Menominee Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Menominee Housing Commission's internal control over compliance.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 18, 2007

ANDERSON, TACKMAN
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



MENOMINEE HOUSING COMMISSION

For the Year Ended March 31, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 4-1-06</u>	<u>3-31-07 Federal Expenditures</u>
Operating Subsidy	14.850	<u>\$ 198,261</u>	<u>\$ -</u>	<u>\$ 198,261</u>
Section 8 Rental Voucher	14.871	<u>\$ 240,397</u>	<u>\$ -</u>	<u>\$ 240,397</u>
Capital Funding	14.872			
501-05		<u>\$ 181,939</u>	<u>\$ 13,862</u>	<u>\$ 168,077</u>
501-06		<u>160,938</u>	<u>-</u>	<u>2,800</u>
Total Department of Housing and Urban Development				<u>\$ 609,535</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 609,535</u>

See accompanying notes to the schedule of expenditures of federal awards.



MENOMINEE HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended March 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Menominee Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



MENOMINEE HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended March 31, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Menominee Housing Commission.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Menominee Housing Commission.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Menominee Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Menominee Housing Commission.
7. The programs tested as major programs included:
 - A. Capital Fund – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Menominee Housing Commission was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. There were no reportable conditions.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.

PRIOR FINDINGS AND QUESTIONED COSTS – Major Federal Award Programs Audit

1. There were no findings or questioned costs.

